



# CALPEEK

## CALIFORNIA POLITICAL WEEK

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### **CALIF.'S GANN LAW ON SPENDING LIMITS: DOES IT NEED TO BE REVISED IN LIGHT OF BUDGET CRISIS?**

Editor's note: Just because this is another budget story don't fall into a MEGO trap (*my eyes glaze over*). Calpeek now takes a look at the politics of revising the Gann Spending Limit – Prop. 4 approved in 1979. Here's our brief update and analysis...

...How much is the *Gann Spending Limit* or SAL (State Appropriations Limit – which is what the bureaucrats call Prop. 4)? Calpeek asked several bureaucrats but had a tough time getting an answer. And trust me, to compute the SAL takes a John Nash (*Beautiful Mind*). The simple answer on the SAL was about \$59 billion for the 2001-02 fiscal year. But in 2001-02 the budget was \$100 billion. Did the State break the SAL by spending about \$41 billion more? The answer is NO...

...The reason the State didn't break the SAL is because there are numerous exemptions to the 1979 law. These include: Federal & State court mandates, the VLF (vehicle license fee), debt service, capital outlays and local govt. financing. Also exempt from the SAL are Props. 98 (educational funding); Prop. 111 (transportation/infrastructure funding); and Props. 99 & 10 (tobacco tax funds). It's not clear whether Prop. 172 (1/4 cent sales tax for public safety) is exempt. Some say it is, others disagree. When these various initiatives were written, language was put into these ballot propositions to exempt them from the SAL...

...Because of the current budget crisis, several GOP lawmakers are now looking at constitutional amendments to revise Gann by eliminating many of the exemptions. The GOP's main argument about the budget crisis is that it was caused by excessive spending. This is what the late Paul Gann was trying to control with Prop. 4...

...Last week Calpeek briefly described SCA 16. The chief architect here is State Sen. Tom McClintock(R), who is running for Controller. Give the guy credit for spotting a problem, but some critics say McC's cure is worse than the problem. McC's SCA 16 would make revisions in Prop. 98

and Prop. 111, but it doesn't deal with the issue of creating a budget reserve. Enter ACA 22 by Assemblyman John Campbell(R-Irvine). While Campbell's ACA doesn't deal with a reserve either, he wants to revise the SAL to kill off Prop. 111 – the 1990 measure which GOP sources say makes the spending limit law irrelevant. There would be no major changes to Prop. 98, but Props. 99 and 10 would fall under the SAL...

...See the political ramifications? If the GOP begins to mess with Prop. 98 they'll be in a war with CTA and the CFT + the entire educational establishment. By going after Prop. 111, the GOP is taking on major segments of the business and transportation lobby (including the powerful AGC and Building & Construction Trades unions). And if the GOP messes with Props. 99 and 10, Rob Reiner will be all over them faster than you can say *meathead*. This wouldn't be a pretty fight either, with Reiner & Co. making the case that the GOP was in bed with big tobacco. More next week on a budget reserve plan. Stay tuned...

### **CAMPAIGN 2002: McPHERSON INTRODUCES BILL TO BAN PAY-TO-PLAY IN CAPITOL AND STATE OFFICES.**

Editor's note: By the end of the *Campaign 2002* there might not be too many voters who haven't heard the expression of pay-to-play. It's nothing more than the solicitation of campaign contributions, but it's still a great buzz phrase. Here's our brief update & analysis...

...State Sen. Bruce McPherson(R-Santa Cruz), the GOP nominee running an uphill battle for Lt. Governor against incumbent Demo Cruz Bustamante, has introduced SB 300. FYI: it's past deadline to introduce new bills, so SB 300 is another bill which has been stripped of its language. The old SB 300 passed the Senate and is now in the Assembly. A first hearing on SB 300 before the Assembly Elections Cmt. will probably take place sometime in June...

...McPherson would very much like to use SB 300 in his LG's campaign. It's a good, hot-button issue right now. The purpose of SB 300 is to close a loophole in the current law which allows elected officials to solicit campaign contri-

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butions in the Capitol or State offices. It's against the law to actually receive a contribution in the Capitol, but not to solicit. If approved by the legislature and signed into law, those who disregard SB 300 (and are caught) will be subject to a misdemeanor ethics violation and hit with a fine...

...Sources say the practice of soliciting contributions in the Capitol is widespread. Many legislators, Demos as well as GOPers, have installed private phones (paid for with campaign funds) so that they can dial for dollars while in the Capitol. Former Gov. Pete Wilson did this too. Does McPherson's proposal do away with private phones? A better question: will lawmakers (Demos & GOP) insist that private phones in the Capitol be exempt from SB 300???

...This whole pay-to-play controversy erupted into public view when Calif. Teachers Assn. Pres. Wayne Johnson went public several weeks ago with an allegation that during a meeting in the governor's office, Gov. Gray Davis(D) solicited a \$1 million campaign contribution from CTA...

...Davis' GOP opponent, Bill Simon Jr., immediately jumped on the CTA flap and began hammering Davis until it was disclosed by the *S.F. Chron's* Carla Marinucci and John Wildermuth that Simon's own family muni bond business was censured and fined \$10,000 in 1999 for pay-to-play violations in New Jersey. In that same story, Simon acknowledged the fine, but said there was no pay-to-play violation. But that doesn't square with what the Nat'l Assn. of Securities Dealers said. Stay tuned...

#### **CAMPAIGN 2002: ALLEGED VOTER FRAUD UNDER INVESTIGATION BY CALIF. SECRETARY OF STATE.**

Editor's note: Although the official response is "no comment," sources in the CA Sec. of State's office confirmed their investigators are probing allegations of voter fraud in the 4<sup>th</sup> SD, 12<sup>th</sup> SD, 17<sup>th</sup> AD, 26<sup>th</sup> AD and 18<sup>th</sup> CD. The voter fraud took place late last year and earlier this year prior to the close of registration in early February. Here's our brief update and analysis...

...The allegations of voter fraud are outlined in a story by Will Shuck in the *Stockton Record* (5/19). The allegations of wrong doing were made public during a news conference featuring Assemblymembers Kevin Shelley (D) and Dennis Cardoza(D). Shelley is running for Sec. of State and Cardoza is running for the 18<sup>th</sup> CD job now held by U.S. Rep. Gary Condit(D)...

...The allegation is that during a massive GOP voter registration effort paid for by BOE Member Dean Andal (R) – those collecting the signatures switched voters from

Demo to GOP registration. Neither Shelley nor Cardoza blame Andal and in fact Andal and the CA GOP may be victims too. At the heart of this scandal are bounty payments for registration as high as \$8 per signature. A normal bounty is usually \$1-2 at most. But at \$8 per signature – that opens the door for all sorts of illegal activity...

...How many people were impacted? A Demo source believes "thousands" – many more than 2,000. But that's only a guesstimate. And even if twice that many were impacted it wouldn't take that much away from the new GOP surge in registration in this area. Merced Co. went from a Demo to GOP county during this drive and solid GOP gains were made in the 5 key districts which were targeted. For example, in the 18<sup>th</sup> CD (Condit), Demo registration right after the new redistricting was announced stood at 52% D vs. 35% R. Now it's 47%(D) vs. 40% (R). FYI: Demos are just now getting started with their own registration drives, so these numbers will fluctuate... Calpeek called BOE member Andal, but thus far there has been no response. Stay tuned...

#### **CALPEEK BEGINS SERIES ON ENERGY & POLITICS.**

Editor's note: Over the next 5-6 weeks Calpeek will run a series of articles dealing with Energy & Politics. The two are linked closely in this *Campaign 2002* election cycle. Among the topics we'll be covering are updates on Yucca Mt. & ANWR; national impact of the Enron disclosures; and the Calif. power crisis. In **Part I** we'll return to May of 2000 – that's when the power crisis first surfaced in San Diego and then spread to the rest of Calif...

...Looking back – knowing what we know now – it was almost a given that some smart folks working for Enron or some other out-of-state power producers would come up with a plan to manipulate Calif.'s "deregulated" energy market in 2000. All the necessary ingredients were already in place: 1) by May of 2000 San Diego's big market was free of control; 2) the IOUs (investor owned utilities – SCE, PG&E and SDG&E) were buying power on a daily basis from the spot market because they had no long term, cost-efficient power contracts; and 3) the Federal Energy Regulatory Commission(FERC) was asleep at the wheel. All that was needed was a plan of attack...

...The recent disclosure of Enron documents explain how this Houston-based firm (and perhaps others as well) manipulated the market to drive up power prices. And as it turns out, when "the plan" was put into practice and everyone began to yell (May/June of 2000) SCE had a pretty good idea of what was happening and passed these suspicions on to FERC. It didn't much good, because FERC sat on its hands.

And remember this was a Bill Clinton appointed FERC...

...By the end of 2000, Calif.'s IOUs were almost out of money (the PUC helped a little in March of 2001 by raising rates – but not enough to save PG&E from declaring bankruptcy) and thus the State had to step in and buy power for the cash-strapped IOUs. Short term, Calif. spent about **\$6-8 billion** in buying power and spent another **\$43 billion** in long-term contracts...

...Here's the key question: although the State and consumers forked over \$6-8 billion in the short term, was the overall game plan of Enron and others to really make a killing on long-term energy contracts? Long term contracts reduce the incentive of power sellers to manipulate the market at any time, but because Calif. had no long term contracts, the State and IOUs were vulnerable from day one. If no one discovers the scheme to manipulate the market, the long term contracts are as good as gold - \$43 billion. More next week...

**CALIF. CITIES & COUNTIES: POPULATION GROWTH.**

Editor's note: This info on population estimates comes from the CA Dept. of Finance's Demographic Research Unit. It's interesting stuff. There are 475 cities in Calif., including 15 with populations exceeding 200,000...

◆ **10 Largest CA Cities** – L.A. 3,807,400; San Diego 1,255,700; San Jose 918,000; S.F. 793,600; Long Beach 473,100; Fresno 441,900; Sacramento 426,000; Oakland 408,800; Santa Ana 343,700; and Anaheim 334,700...

◆ **10 Fastest Growing Cities Under 300,000** – This stat tells you where the action's at in terms of housing and real estate: Temecula 72,700 (+11,200 from 2001); Chula Vista 190,900 (+9,700 from 2001); Irvine 157,500 (+ 9,300 from 2001); Riverside 269,400 (+ 8,200); Bakersfield 257,900 (+7,800); Fontana 139,100 (+6,400); Rancho Cucamonga 137,010 (+6,300); Elk Grove 81,400 (+5,500); Stockton 253,800 (+5,400); and Murrieta 51,600 (+5,350). FYI: 5 of these cities are in the Inland Empire...

◆ **10 Largest CA Counties** – L.A. 9,824,800; Orange 2,939,500; San Diego 2,918,300; San Bernardino 1,783,700; Santa Clara 1,719,600; Riverside 1,644,300; Alameda 1,486,600; Sacramento 1,279,900; Contra Costa 981,600; and Fresno 826,600...

◆ **10 Fastest Growing Counties** – L.A. (+170,900 from 2001); Riverside (+60,700 from 2001); Orange (+59,300); San Diego (+58,400); San Bernardino (+42,600); Sacramento (+32,100); Alameda (+23,700); Santa Clara (+21,800); San Joaquin (+17,400); and Contra Costa (+16,500). Stay tuned...

**CAMPAIGN 2002: PAC SCANDAL IN LONG BEACH IMPACTS THE MAYOR'S RACE. BAKER IS HURT.**

Editor's note: Is it possible that *termed out* Long Beach Mayor Beverly O'Neill will win reelection June 4<sup>th</sup> as a write-in candidate? Her chances of winning a 3<sup>rd</sup> term are looking much better because of a PAC scandal which has damaged Councilman Dan Baker. Here is our update & analysis about this runoff election in Calif.'s 5<sup>th</sup> largest city...

...At the heart of this scandal is a PAC called Citizens for Neighborhood Empowerment (CNE) – a group which has links to Baker. Baker is just trying to stay low at this point. The allegation is that CNE accepted contributions in excess of the \$600 limit and that both CNE and Baker share the same campaign treasurer, Kinde Durkee. The violation of the law (according to the city attorney) is the acceptance of the donation, thus those who gave funds in excess of \$600 may not be in any trouble...

...The Long Beach Police Officers Assn. gave \$15,000 and it should be noted they've endorsed Baker. Another big donor (\$5,000) was Marsha Naify, president of the Long Beach Lambda Demo Club – a mostly gay/lesbian Demo club. FYI: Baker is openly gay...

...The legal part of this mess is now in the hands of the L.A. Co. DA's office because L.B. City Prosecutor Tom Reeves and Baker share the same political consultant, Mike Orlito. And Durkee has done some work for Reeves too – so Reeves really had no choice but to refer the case...

...As one might suspect, the publicity has been unending and it's not been good for Baker, who will be the only candidate listed on the June 4<sup>th</sup> runoff ballot. Nor has the publicity been helpful to those who contributed to the CNE PAC. In the primary, part of the money from this PAC paid for two hit pieces aimed at Councilman Ray Grabinski. Neutral Long Beach sources say the hit mailers probably *backfired* and hurt Baker because Grabinski is viewed as a good guy. Grabinski has now endorsed O'Neill in the runoff election – as have 6 other councilmembers (Colona, Lowenthal, Carroll, Richardson-Batts, Webb and Schultz)...

...FYI: the sleeper in this race is Norm Ryan, a GOPer who finished 2<sup>nd</sup> to Baker, but 3<sup>rd</sup> overall. He too is running a write-in campaign, but it doesn't appear that he's as well funded as O'Neill, although the CA GOP has helped with an absentee voter mail piece. Best guess is that Ryan probably helps O'Neill more than he hurts her. Stay tuned...



**CALPEEK'S INFOBAHN: POLITICAL SHORT TAKES.**

Editor's note: Here are a few items, political & otherwise, worth noting...

■ ***Assembly GOP Opposes EDVR*** – Not really a big shocker, but the Assembly GOP Caucus has voted to oppose the Election Day Voter Registration initiative now being counted by 58 county registrars. Sources expect EDVR to qualify for the November ballot...

■ ***Support for Israel in CA Assembly*** – Nationally, the GOP is making a strong bid to win the hearts of Jewish voters by voicing strong support for Israel in her current war against terrorism. And don't for a minute think that the DNC isn't aware of this. Here in Calif., former Assembly Speaker Bob Hertzberg(D) and former Majority Leader Kevin Shelley teamed up with current Speaker Herb Wesson and Majority Leader Marco Firebaugh to pass **HR 48** – a resolution praising Israel and blasting terrorism (without actually mentioning the Palestinians or Yaser Arafat by name). HR 48 passed on a 73-0 vote – and there was only one member who voiced a few *negative words* about Israel: Demo Assemblywoman Jackie Goldberg of L.A. HR 48 was approved May 8<sup>th</sup>, but didn't get much news media attention...

■ ***Who's Behind Parskywatch?*** – Parskywatch #5 is now out with a very provocative title: *Feinstein & Boxer: We've Been Working Very Well with Gerry Parsky*. This particular slap at Bush's Calif. go-to-guy Gerald Parsky is all about working relationship between Calif.'s two Demo U.S. Senators and Parsky when it comes to selecting new federal judges. BUT BACK TO OUR BASIC QUESTION: *Who is behind Parskywatch?* It's a very clever and decidedly negative series of email hits against Parsky, but the authorship is unknown. Best kept secret since *Deep Throat*. So if you're a political junkie and want to join in *Calpeek's Parskywatch survey*, please send your nominations on who is behind this to calpeek@aol.com. Keep it short and put *Calpeek's Parskywatch survey* in your email subject box...

■ ***Simon Beefs Up Fundraising Team*** – The current Simon fundraising director is Cathy Beck and her deputy is Marcie Hutchings. Now *Team Simon* has added Joanne Davis as deputy cmp. manager for fundraising; Alice Borden (Riordan's chief fundraiser) as L.A. finance director; Renee Croce as Orange Co. finance director; Karolyn Dorsee as San Diego finance director; Kimberley Halcomb as Sacto/North State finance director; Kristen Hueter as S.F. Bay finance director; Wendy Warfield as Central Valley

finance director; and Charissa Abbay as deputy finance director. Hueter and Borden coordinated Simon's recent fundraisers in L.A. and the Silicon Valley...

■ ***Valley Secession on Nov. 5<sup>th</sup> Ballot*** – By a vote of 8 to 1, the Local Agency Formation Commission(LAFCO) has placed the question of whether the San Fernando Valley should be granted cityhood on the Nov. 5<sup>th</sup> L.A. City ballot. There was some speculation that the vote would be much closer – perhaps 5 to 4. Thus the 8-1 vote by the commission amounted to a digital salute to L.A. Mayor Jim Hahn. *Valley Vote* supporters were thrilled, while Hahn refused to rule out whether the city would take legal action against LAFCO. The next big LAFCO vote is June 5<sup>th</sup> when the cityhood for Hollywood will be voted upon...

**CALPEEK'S NEW JOBS AND PERSONNEL NOTICES.**

Editor's note: Here are some items to mark down in your notebook...

● A sad note: veteran L.A. tv news anchorman Jerry Dunphy died May 20<sup>th</sup> after suffering a heart attack the week before. He was 80. Dunphy worked at KCBS-TV (when it was KNXT and Dunphy's The Big News ruled the ratings); KABC-TV *Eyewitness News* and at KCAL-TV. He anchored the news for 40 years. His trademark opening line "From the desert to the sea to all of Southern Calif." will be missed by many. R.I.P...

● Another sad note: former State Sen. Ralph Dills who represented the Gardena/So. Bay area of L.A. Co. for 32 years died in Rocklin on May 16<sup>th</sup>. He was 92. The Demo lawmaker retired from the Senate in 1998. R.I.P...

● The MWW Group has acquired AVS Consulting. Arthur Sohikian from AVS becomes an MWW sr. vp in the L.A. office, beginning June 1<sup>st</sup>...

● Scott Gluck has been hired as regional director of the Republican Jewish Coalition. The RJC's So. Calif. regional chair is Bruce Bialosky. RJC has offices in L.A., DC, Florida, PA and Ohio...

● Matt Birkhofer has been hired by L.A.-based Cerrell Associates as an acct. coordinator...

● Ashleigh Adams rejoins Edelman PR Worldwide's L.A. office as an acct. supervisor and member of the firm's issues management practice. Adams was First Lady Laura Bush's deputy press secretary until recently...